

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2004):
EFFECT OF REVOCATION OF PREFERENTIAL TREATMENT TO APPAREL
MADE WITH CERTAIN FUSIBLE INTERLININGS FROM
CARRIBEAN BASIN COUNTRIES**

Investigation No. 332-458-007

May 2004



Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-458-007

Products	Apparel made with certain fusible interlinings (request for revocation)
Requesting Parties	Narroflex Inc., Stuart, VA
Date of Commission Report: USTR Public	May 27, 2004 May 2004
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NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON MAY 27, 2004. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (***)

Summary of Findings

The Commission's analysis indicates that the probable economic effect of revocation of duty-free and quota-free treatment for U.S. imports of apparel made in eligible Caribbean Basin countries with waistbands of the subject interlining fabrics,¹ regardless of the source of the fabrics, depends upon the extent to which fusible interlining fabrics made in the United States are substitutable for the interlining fabrics named in the petition.² There is currently no known U.S. production of fusible interlining fabrics of a kind named in the petition; therefore, if domestically produced products are not substitutable, revocation of the preferential treatment would have no effect on U.S. producers of fusible interlinings and their workers. Revocation of the preferential treatment likely would have no immediate effect on U.S. producers of elastomeric fibers, elastomeric fabrics, and laminators as they collectively do not produce materials of a kind named in the petition. Revocation of the preferential treatment would likely have a potential negative effect on U.S. woven fabric producers if apparel manufacturers re-locate their operations to non-beneficiary countries. Revocation would have a small positive effect on U.S. apparel production to the extent that production of similar apparel is still being performed in the United States. Revocation will likely adversely affect apparel firms assembling finished garments in the Caribbean Basin and their U.S.-based workers, and U.S. consumers.

Background

On February 2, 2004, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-458, *Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2004 with the Committee for the

¹ ***.

² The two interlining fabrics under review are identical to those named in the petition filed by Levi Strauss in December 2002 under the "commercial availability" provision of the CBTPA. In April 2003, CITA approved that petition (see *Federal Register* of April 22, 2003 (68 F.R. 19788)). In the current petition, Narroflex Inc. (Narroflex), Stuart, VA, requests revocation of CBTPA designation for the materials of a kind named in the December 2002 petition.

Implementation of Textile Agreements (CITA) under the “commercial availability” provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).³

The Commission’s advice in this report concerns a petition received by CITA on April 16, 2004, alleging that certain fabrics used in waistbands (detailed below) can be supplied by the domestic industry in commercial quantities in a timely manner. The petition requests that CITA revoke its previous designation under the CBTPA regarding these fabrics.⁴ The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.⁵

Discussion of the product

According to the petition for revocation, the two interlining fabrics named in the petition are for use in the waistbands of apparel articles and are classified in subheading 5903.90.25 of the Harmonized Tariff Schedule of the United States (HTS). This rate line provides for textile fabrics of manmade fibers, impregnated, coated, covered, or laminated with plastics other than with poly(vinyl chloride) and polyurethane, not over 70 percent by weight of rubber or plastics. The fabrics are (1) an ultra-fine elastomeric crochet outer-fusible material with a fold line that is knitted into the fabrics and with an adhesive coating and (2) a fine elastomeric crochet inner-fusible material with an adhesive coating. Both fabrics have the adhesive coatings applied after going through a finishing process to remove all shrinkage from the material.⁶ Garments containing waistbands of such fabrics, such as pants, shorts, and skirts, are classified primarily in HTS chapter 62 (apparel, not knitted or crocheted). The 2004 general rates of duty on such apparel range from 8.2 percent ad valorem for cotton skirts to 16.6 percent ad valorem for men’s and women’s cotton pants and shorts.

Discussion of affected U.S. industries, workers, and consumers

The segments of the U.S. textile and apparel sector potentially affected by the possible revocation of preferential treatment are apparel trim producers, elastic fabric producers, apparel manufacturers, woven fabric producers, fabric laminators, and elastic fiber producers.

Commission staff contacted Tag-It Pacific, Inc. (Tag-It), an apparel company that specializes in the distribution of a full range of trim items to manufacturers of fashion apparel, specialty retailers and mass merchandisers.⁷ Tag-It serves as a supplier of trim items to owners of specific brands, brand licensees,

³ For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of February 9, 2004 (69 F.R. 6003) and the Commission’s website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

⁴ On April 22, 2003, following a determination that the subject fabrics could not be supplied by the domestic industry in commercial quantities in a timely manner under the CBTPA, CITA designated apparel containing these fabrics as eligible for duty-free treatment under the CBTPA (see CITA’s notice published in the *Federal Register* of Apr. 22, 2003 (68 F.R. 19788)).

⁵ In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

⁶ The petition filed by Narroflex covers two interlining fabrics for use in apparel waistbands. For further information on the interlining fabrics covered by the petition, see the CITA notice, “Request for Public Comments on Revoking a Commercial Availability Designation under the United States-Caribbean Basin Trade Partnership Act (CBTPA),” *Federal Register*, Apr. 23, 2004 (69 F.R. 22010), p. 22010.

⁷ In 2002, Tag-It created a new division under the TEKFIT brand name that develops and sells apparel components that utilize the patented Pro-Fit technology, including a stretch waistband. TEKFIT entered into an exclusive license and intellectual property rights agreement with Pro-Fit Holdings Limited (UK), that gives Tag-It the exclusive rights to sell or sublicense stretch waistbands manufactured under the patented technology developed by Pro-Fit for garments manufactured anywhere in the world for the U.S. market and all U.S. brands, for the life of the patent and related know-how. TEKFIT® technology allows fabrics to be altered through the addition of stretch characteristics resulting in greatly improved fit and

and retailers, including Levi Strauss & Co. (Levi Strauss), San Francisco, CA. Specifically, Tag-It supplies Levi Strauss with TEKFIT® stretch waistbands for use in Dockers® twill-type pants only. Tag-It and TEKFIT® stated that ***.⁸ ***.⁹

According to petitioner Narroflex,¹⁰ the firm produces elastomeric narrow fabrics at its plant in Stuart, VA, where it employs 257 persons, including more than 20 exclusively in elastomeric fabric design. The firm said it supplies elastomeric narrow fabrics to numerous customers involved in the AGOA, CBTPA, and ATPDEA preference programs. Narroflex stated that the Stuart plant has ***. Narroflex stated that although it has had no direct contact with Levi Strauss, ***.¹¹

Levi Strauss stated that in late 2002, prior to the Individual Fit® product launch, Levi Strauss informed Tag-It, its exclusive supplier of coated fusible interlinings, that U.S.-origin coated fusible interlinings were required to ensure duty-free treatment (under the CBTPA) of the finished trousers (which otherwise satisfied U.S. origin requirements),¹² and that, as a result, Tag-It took the following actions:

(1) Established an internet-based request for procurement (RFP) and also contacted several fabric manufacturers directly and provided them with specifications for the coated fusible interlinings to ascertain U.S. manufacturing capability. Levi Strauss stated that there was no response to the RFP and that none of the contacted manufacturers, including Narroflex, indicated that they could manufacture the required coated fusible interlinings.

(2) On December 12, 2002, as Tag-It had no alternative to a non-U.S.-source, Levi Strauss filed its initial short supply request.

Levi Strauss stated that it is a faulty premise to assume that Narroflex's ability to supply certain uncoated crocheted elastomeric fabric used as an input to coated fusible interlining¹³ manufacture represents a

comfort through a built in stretch factor in standard waistbands that does not alter the appearance of the garment, but allows the waist to stretch out and back by as much as two waist sizes. Currently, Tag-It exclusively supplies Levi Strauss & Co. with TEKFIT® waistbands for their Dockers® twill-type pants programs only; however, the firm states that it is actively working with other large apparel manufacturers to develop and release the TEKFIT® technology in other types of garments. Based on information retrieved at <http://www.sec.gov/Archives/edgar/data/1047881/000117091804000239/fm10k2003.txt>, May 17, 2004.

⁸ ***, telephone interviews by Commission staff, Apr. 29, 2004, and May 4, 11, and 13, 2004.

⁹ ***, written submission to the Commission, May 13, 2004.

¹⁰ Narroflex is a wholly-owned subsidiary of Canadian-based Wentworth Textiles Inc.

¹¹ Carl Straub, Vice President Finance & General Counsel, Narroflex Inc., written submissions to the Commission, May 14 and 19, 2004.

¹² Dockers® Individual Fit® pants incorporate a proprietary innovative special waistband that invisibly adjusts up to 2 inches while retaining the tailored appearance of a normal, all-cotton pant, a unique and essential design feature only achieved by successfully "fusing" coated fusible interlinings to both the outermost "self" fabric and the innermost lining fabric via a patented process. Individual Fit® waistbands are manufactured using a patented process that involves first compacting the "self fabric" (i.e., the outer fabric that will constitute the visible portion of the waistband) and then "fusing" (adhering) the coated fusible interlinings to that fabric. After assembly, the waistbands are subsequently sewn onto trousers which undergo an additional process to render them "wrinkle-free," whereby the assembled trousers are baked at 350 degrees Fahrenheit (180 degrees Celsius) to cure the resin finish, and then are industrially washed to remove excess resin not "baked in" to the "self" fabric. Written submissions to the Commission by Crowell & Moring, LLP, Washington, DC, on behalf of Levi Strauss & Co., May 10 and 14, 2004.

¹³ Elastic fabrics are coated with an adhesive that will allow them to adhere to cotton and other composition materials during fusing at high temperatures. Coated fusible interlinings are made by first taking a crocheted elastomeric fabric (such as manufactured by Narroflex) and applying to it an adhesive coating that will allow it to adhere to the "self fabric" of the garment. Levi Strauss uses two different coated fusible interlinings in its Individual Fit® waistbands - an inner coated fusible interlining and an outer coated fusible interlining, with different functionality; the outer provides maximum stretch and durability to the waistband, and the inner provides some stretch but also exhibits a softer and more comfortable feel or "hand." Each of these coated fusible interlinings is "fused to self fabric via a patented process." The result is two different laminates - one of inner coated fusible interlining and self fabric, and one of outer coated fusible interlining and self fabric - which are subsequently sewn together and cut to length for use as waistbands. The finished waistbands thus have four layers: (1) the outermost self

domestic source for the coated fusible interlinings Levi Strauss needs. Levi Strauss indicated that the Narroflex fabric was subsequently coated by Apparel with an adhesive manufactured by Bemis Associates Inc. to yield a coated fusible outer interlining which Levi Strauss began using, with a Milliken fabric similarly coated inner, in waistband manufacture on a scale-up testing basis in January 2003. Levi Strauss said that on the basis of promising early results, purchase orders were issued to all four firms involved in manufacturing the two coated fusible interlinings. However, Levi Strauss indicated that:

(1) By mid-February 2003, delamination problems were encountered on the finished trousers assembled with Narroflex elastomeric fabric as part of the waistband component; initial speculation of problems with the adhesive proved erroneous; upon subsequent testing it was discovered that shrinkage of the Narroflex outer fabric during fusing was a problem source.

(2) Resolution of the Narroflex fabric shrinkage during fusing was attempted through May 2003, when Tag-It terminated its relationship with Narroflex.

Levi Strauss stated that it worked diligently with its coated fusible interlining procurer/supplier (Tag-It) to develop domestic sources of supply for the subject coated fusible interlinings, and even attempted to synthesize a domestic supply where none previously existed; however, these efforts failed to yield viable domestically-produced coated fusible interlinings that could withstand the rigors of the manufacturing process, baking, and repeated washings without an unacceptably high incidence of delamination. By contrast, according to Levi Strauss, waistbands assembled with outer coated fusible interlinings procured from United Kingdom sources developed by patent holder Pro-Fit exhibit very low incidences of delamination. Levi Strauss stated that it continues its search for a viable U.S.-origin coated fusible interlining and is hopeful that it will achieve the same in the near-term. Levi Strauss stated that in the interim the coated fusible interlinings required by Levi Strauss for use in Individual Fit® waistbands remain unavailable from domestic sources in commercial quantities in a timely manner.¹⁴

Concerning elastic fabrics, the Commission contacted petitioner Narroflex (see discussion on Narroflex above); Asheboro Elastics Corp.(Asheboro), Asheville, NC; Milliken & Co. (Milliken), Spartanburg, SC; Precision Custom Coatings, LLC (PCC), Totowa, NJ; and QST Industries (QST), Chicago, IL.

Asheboro stated that ***.¹⁵

***.¹⁶ ***.¹⁷

***.¹⁸

QST Industries stated that ***.¹⁹

fabric laminated to (2) the outer coated fusible interlining; and (3) the inner coated fusible interlining laminated to (4) the innermost self fabric, which is made of cotton waistband lining material also known as "pocketing"-type material. Written submissions to the Commission by Crowell & Moring, LLP, Washington, DC, on behalf of Levi Strauss & Co., May 10 and 14, 2004.

¹⁴ On May 11, 2004, Levi Strauss announced that it seeks a buyer for the Dockers® business unit, which includes the Individual Fit® trouser; therefore, future sourcing decisions if the CBTPA designation for the subject interlining fabrics were to be revoked may be the responsibility of the purchaser of the business unit. Written submissions to the Commission by Crowell & Moring, LLP, Washington, DC, on behalf of Levi Strauss & Co., May 10 and 14, 2004.

¹⁵ *** , telephone interviews by Commission staff, May 14 and 26, 2004.

¹⁶ *** , telephone interview by Commission staff, Feb. 23, 2004.

¹⁷ *** , telephone interview by Commission staff, May 17, 2004.

¹⁸ *** , telephone interview by Commission staff, May 18, 2004.

¹⁹ *** , telephone interview by Commission staff, May 11, 2004.

With regard to laminators, Commission staff contacted Apparel, Philadelphia, PA,²⁰ and Meltex Inc. (Meltex), Huntington Beach, CA. ***²¹

With regard to producers of dress and casual pants, Commission staff contacted Haggar Clothing Co. (Haggar), Dallas, TX; Levi Strauss (see discussion of Levi Strauss above); and Tropical Sportswear International Corp. (TSI), Tampa, FL. Haggar produces "comfort fit waist pants . . . featuring a hidden, flexible waistband."²² ***²³

According to TSI, which sells pants under such brand-names as Savane® and Farah®, ***²⁴

U.S. producers of elastomeric fibers used in the production of elastic fabrics for apparel applications include Bayer Polymers LLC, Charleston, SC; Dow Fiber Solutions, Midland, MI; Invista Inc., Wilmington, DE; RadiciSpandex Corp., Fall River, MA; and Unifi Inc., Greensboro, NC. Bayer Polymers produces Dorlastan® elastic fibers for textile applications at its facility in Goose Creek, SC; ***²⁵ Dow Fiber Solutions (a division of The Dow Chemical Co.) produces Dow XLA elastic fiber (Iastol) ***²⁶ Invista (formerly DuPont Textiles & Interiors) produces Lycra® elastic fibers.²⁷ Invista stated that ***²⁸ RadiciSpandex produces spandex fibers for narrow fabrics that, in part, are used in apparel waistbands.²⁹ The firm stated that ***³⁰ Unifi Inc. produces polyester elastic yarns.³¹ ***³²

Views of interested parties

The Commission received written submissions in support of revocation from Narroflex (petitioner) and Asheboro. Narroflex stated that based on its understanding of the interlining fabrics named in the petition, it can produce all of the specified fabrics in a timely manner and in sufficient quantities to satisfy the anticipated demands of Levi Strauss (see earlier discussion for information on Narroflex). Asheboro stated that it has the capacity of 3.8 million yards per week³³ for making certain ultra-fine elastomeric crochet fabrics and that it is in the process of developing a large program on this item.

The Commission received written submissions in opposition to the revocation petition from Avondale Mills, Inc., Graniteville, SC; Galey & Lord, New York, NY; Levi Strauss; and Tag-It. Avondale, a U.S. producer of textile products, stated that it employs over 4,600 employees at its manufacturing facilities in Alabama, Georgia, South Carolina, and North Carolina. According to Avondale, it supplies Levi Strauss with tens of millions of dollars worth of fabric for use in the assembly of Individual Fit® trousers in the Dominican

²⁰ ***.

²¹ *** , telephone interview by Commission staff, May 14, 2004.

²² See website of Haggar Clothing Co. at <http://haggar.com> for information on the firm's products.

²³ *** , telephone interview by Commission staff, May 19, 2004.

²⁴ *** , telephone interview by Commission staff, Mar. 1, 2004.

²⁵ Bayer Polymers LLC, press release, "Bayer Fibers Business to Become Separate Entity; Launches New Name," Jan. 1, 2004, found on its website at <http://www.dorlastan.com>, retrieved Feb. 24, 2004, and *** , telephone interview by Commission staff, Feb. 23, 2004.

²⁶ *** , telephone interview by Commission staff, Feb. 25, 2004.

²⁷ The sale of Invista to Koch Industries, Inc., Wichita, KS, was finalized on Apr. 30, 2004. See Invista press release of Apr. 30, 2004, "Koch Subsidiaries Buy Fibers Unit from DuPont," found on the firm's website at <http://www.invista.com/news>, retrieved May 26, 2004.

²⁸ *** , telephone interview by Commission staff, May 21, 2004.

²⁹ RadiciSpandex Corp., press release, "Thin is in: New Polyether Elastane from RadiciSpandex Provides the Skinny on Narrow Fabrics," found on its website at <http://www.radicispandex.com>, retrieved Feb. 24, 2004.

³⁰ *** , telephone interview by Commission staff, Feb. 23, 2004.

³¹ Information on Unifi's product line is from the firm's website at www.unifi-inc.com, retrieved Feb. 25, 2004.

³² *** , telephone interview by Commission staff, Feb. 26, 2004.

³³ Asheboro estimated that it represents approximately 10 percent of total U.S. capacity for certain ultra-fine elastomeric crochet fabrics, which is therefore 38 million yards per week. J. Keith Crisco, President, Asheboro Elastics Corp., written submission to the Commission, May 14, 2004.

Republic, and this supply structure is viable only upon continuation of duty-free treatment for Levi Strauss garments manufactured in the Dominican Republic. Avondale said that as Levi Strauss is one of its largest customers, relocation of this manufacturing program, including fabric input sourcing, out of the Western Hemisphere would prove catastrophic to the firm and other U.S. textile manufacturers, costing tens of millions of dollars and potentially thousands of layoffs. Avondale stated that it opposes the petition based on the potential harm that revocation of the CBTPA waiver might inflict on its firm and other firms in the U.S. industry.³⁴

Galey & Lord, a U.S. producer of textile products, stated that it employs over 3,000 employees at its manufacturing facilities in the United States. According to Galey & Lord, it supplies Levi Strauss with tens of millions of dollars worth of fabric for use in the assembly of Individual Fit® trousers in the Dominican Republic, and this supply structure is viable only upon continuation of duty-free treatment for Levi Strauss garments manufactured in the Dominican Republic. Galey & Lord said that relocation of this manufacturing program, including fabric input sourcing, out of the Western Hemisphere would prove catastrophic to the firm and other U.S. textile manufacturers, costing tens of millions of dollars and potentially up to a thousand layoffs. Galey & Lord stated that it opposes the petition based on the potential harm that revocation of the CBTPA waiver might inflict on its firm and other firms in the U.S. industry.³⁵

Levi Strauss stated that based on its understanding of the interlining fabrics named in the petition, there is no domestic production of materials of a kind named in the petition available in a timely manner and in sufficient quantities to satisfy the firm's requirements (see earlier discussion for information on Levi Strauss).

Tag-It stated that ***.³⁶ ***.

Probable economic effect advice³⁷

The Commission's analysis indicates that the probable economic effect of revoking duty-free and quota-free treatment for U.S. imports of apparel made in eligible CBTPA beneficiary countries with waistbands of the subject interlining fabrics, regardless of the source of the fabrics, will depend on the extent to which fusible interlining fabrics made in the United States are substitutable for the materials of a kind named in the petition. There is no known U.S. production of materials of a kind named in the original petition; ***. If there were domestic production of materials substitutable for materials of a kind named in the petition, the proposed revocation of preferential treatment could benefit U.S. producers of the subject interlining fabrics and their workers.

Absent substitutes, potential effects of the subject revocation are:

- (1) Revocation of the proposed preferential treatment would likely have no immediate effect on U.S. producers of elastomeric fibers, elastomeric fabrics, and laminators as they collectively do not produce materials of a kind named in the petition.
- (2) Revocation of the preferential treatment could have a potential negative effect on U.S. woven fabric producers if apparel manufacturers relocate their operations to non-beneficiary countries.

³⁴ John G. Hudson, Jr, President, Apparel Fabrics Marketing, Avondale Mills, Inc., written submission to the Commission, May 19, 2004.

³⁵ Robert J. McCormack, President, Galey & Lord, written submission to the Commission, May 19, 2004.

³⁶ Herman Roup, President, TEKFIT®, and Jonathan Burstein, Director and Executive Vice President Operations, Tag-It Pacific, Inc., written submissions to the Commission, May 14 and 19, 2004, and telephone interviews by Commission staff, May 13 and 17, 2004.

³⁷ The Commission's advice is based on information currently available to the Commission.

(3) Revocation would likely have a small positive effect on U.S. apparel production to the extent that production of similar apparel is still being performed in the United States.

(4) Revocation will likely adversely affect apparel firms assembling finished garments in eligible countries and their U.S.-based workers.

(5) U.S. consumers of the apparel would likely see some adverse effect from the proposed revocation of preferential treatment to the extent that importers are unable to use a CBTPA preference and are thus unable to pass on some of the duty savings that have recently been available to retail consumers in today's highly competitive market for casual pants, shorts, and skirts.